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Morocco Reaffirms Commitment to Support Food Prices

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Report Highlights:

The Government of Morocco reiterated its commitment to support basic food prices and sustain consumer purchasing power. Expenditures on the Compensation Fund that provides price support to energy and basic food commodities were more than double the budget in 2010. In recent weeks, the Moroccan government has taken several measures to alleviate the impact of rising wheat prices and ensure sufficient wheat supplies in the local market. These measures included the suspension of customs duties on durum and bread wheat imports, and increasing import restitution amounts provided to wheat importers to offset rising prices in the world markets.

The Government of Morocco reiterated its commitment to support basic food prices and sustain the purchasing power of the Moroccan consumers. A government spokesman stated on January 25 that due to the rising prices of imported food and fuel products, the government more than doubled the obligation of the Compensation Fund (Caisse de Compensation) that subsidizes energy and basic food commodity prices in 2010. Soaring prices of oil and agricultural commodities such as wheat, sugar, and vegetable oil have led to a drastic rise in the Compensation Fund's spending, from its original budget of 14 billion dirham (\$1.7 billion) to an obligated amount of 30 billion dirham (\$3.65 billion) in 2010, according to a government statement. The budgeted amount for Compensation Fund in 2011 is about 17 billion dirham. There have been some speculations about an imminent collapse of the Compensation Fund budget and the Moroccan government's inability to finance it. The speculations were refuted by the spokesman who restated the government's commitment to subsidize basic food commodities and to maintain the purchasing power of the Moroccan consumers.

The Moroccan government has taken several measures in recent weeks to alleviate the impact of rising wheat prices and ensure sufficient wheat supplies in the local market. These measures included the suspension of the 135 percent customs duties on soft (bread) wheat imports until the end of April 2011, as well as the suspension of the 80 percent customs duties on durum wheat imports until the end of May 2011. In addition, through an import restitution scheme, the government will continue until April 15 to reimburse wheat importers the difference between a government-set price and the prices in the international market. Due to rising prices, import restitutions doubled during the second two-week period of January 2011, from 300 dirham/MT to 640 dirham/MT (about \$78/MT). This should encourage importers to increase wheat stocks availability to the local market. It has been reported that many of the wheat importers have not received overdue reimbursements that totaled about a billion dirham (\$120 million), as of mid January 2011.

It should be noted that, on January 22 in a meeting with agricultural ministers from Germany, France, Poland, Ukraine, Morocco, Kenya and Canada at the Green Week in Berlin, the Moroccan Minister of Agriculture Azziz Akhannouch denounced rocketing food prices. Mr. Akhannouch indicated that the sharp increase in food prices erodes the purchasing power of Moroccan consumers and threaten the political stability in the country. Morocco is a net importer of food products, especially wheat which saw a drastic price increase in 2010. The gathering agriculture ministers in Berlin warned of dire consequences of soaring food prices, including riots and social unrest; unless actions are swiftly taken to improve food security and tackle price hikes. They were unanimous on the causes of food shortages and agreed on steps to confront the problems that include increased production through higher yields, improve trade and stabilize markets while combating market speculators.